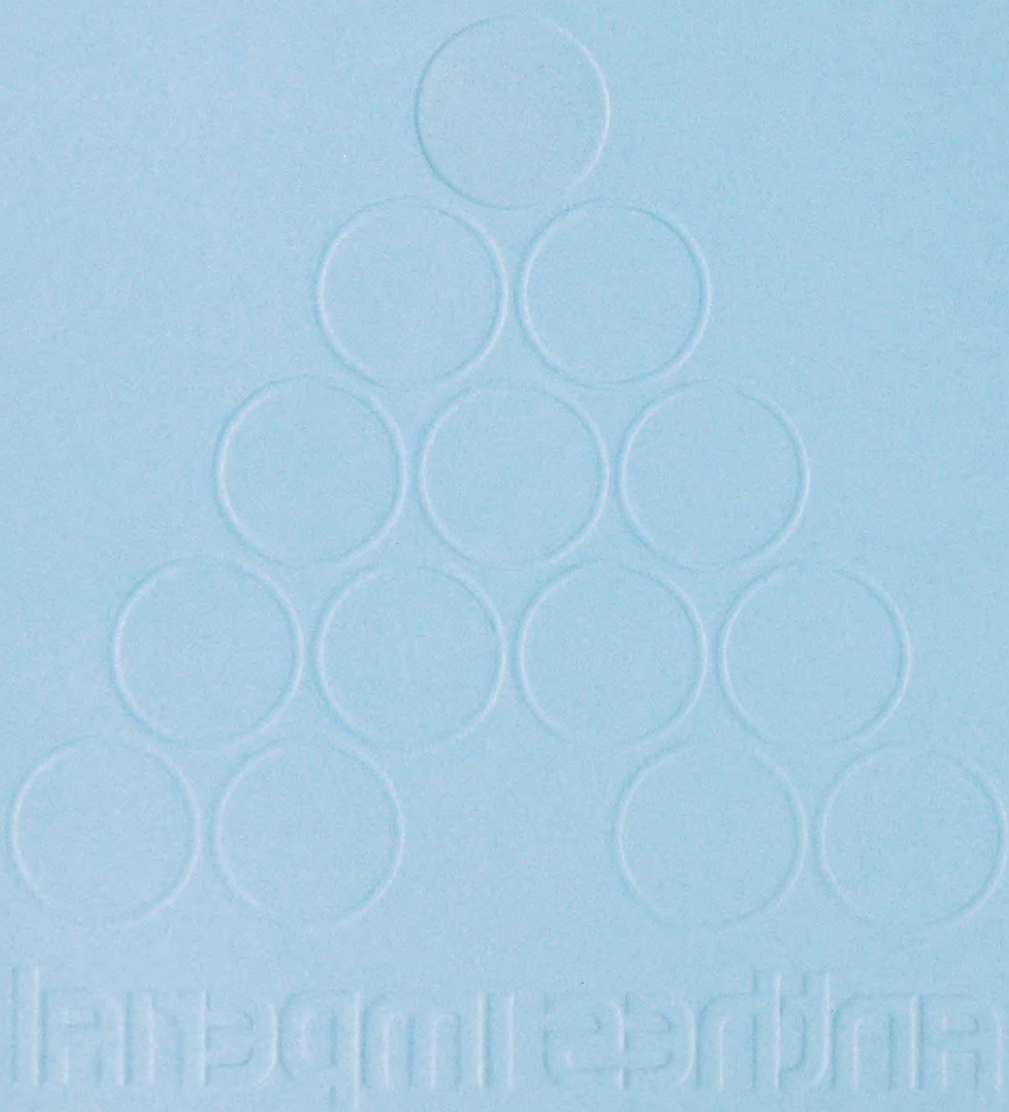


Jeep



Contents

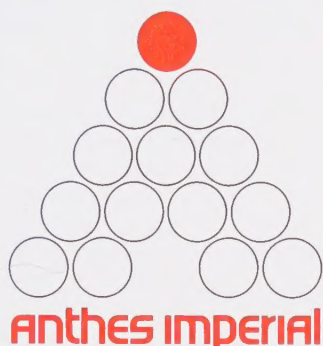
- 1 Highlights
- 3 Report of the Board of Directors
- 5 Report on Operations
- 10 Financial Commentary
- 11 Income and Retained Earnings
- 12 Balance Sheet
- 14 Source and Application of Funds
- 15 Notes
- 16 Ten Year Comparison



Highlights	1966	1965
Sales	\$91,300,000	\$78,900,000
Income for year	4,520,911	3,810,419
Earnings per common share	2.05*	1.77
Dividends declared per common share	.57	.50
Number of common shares outstanding	2,131,984	1,932,484
Working capital	20,989,258	18,694,682
Total assets	\$55,267,232	\$46,327,424

*Based on average number of shares outstanding during year—2,015,517.

Unless designated otherwise, all figures in this report are expressed in Canadian dollars.



The Anthes Company

Anthes Imperial Limited is a diversified Company which provides products and services to many important markets in Canada and the United States—construction, petroleum marketing, industrial, dairy and soft drink, consumer, commercial and institutional. The Company participates in world markets through ownership interests in foreign companies and by exporting products from North America. Anthes Imperial's goals for corporate growth, enhanced earnings and financial stability are achieved through sound management practices with emphasis on long range corporate planning and programs for acquisition and new product development.

A New Corporate Symbol

The cover of this Annual Report features the new symbol of Anthes Imperial Limited which will be used extensively in all corporate communications. The new design, in the outline of an "A"—the first letter of Anthes—reflects strength and growth by the pyramidal shape, and an enterprise consisting of a number of separate diversified operations under the guidance of Anthes at the apex. This corporate symbol will also be used as the basis for the symbols of the various divisions of the Company. This will establish a unified pattern of identification which will show the association of all operations as divisions of Anthes. Office Specialty Division's symbol is an example.

Directors

- *H. N. Bawden
Director, Dominion Securities Corp. Ltd., Toronto, Ont.
- *T. S. Drake
Vice-president, Corporate Planning, St. Catharines, Ont.
- *C. B. Hill
Chairman, ETF Tools Ltd., St. Catharines, Ont.
J. P. Hudson
Assistant to the President, St. Catharines, Ont.
C. E. Isard
Chairman, Isard, Robertson and Co. Ltd., London, Ont.
D. Lakie
Vice-president, Toronto, Ont.
- *E. H. Orser
Vice-president and Treasurer, St. Catharines, Ont.
- *F. H. Sobey
Chairman, Sobeys Stores Limited, Stellarton, N.S.
J. H. Thomson, Q.C.
Partner, Miller, Thomson, Hicks, Sedgewick, Lewis & Healy, Toronto, Ont.
Hon. G. S. Thorvaldson, Q.C.
Partner, Thorvaldson, Eggertson, Saunders & Mauro, Winnipeg, Man.
G. B. Waterman
Vice-president, St. Catharines, Ont.
- *D. G. Willmot
President, St. Catharines, Ont.
- *Member of Executive Committee

Officers

- D. G. Willmot, President
- T. S. Drake, Vice-president, Corporate Planning
- D. Lakie, Vice-president
- E. H. Orser, Vice-president and Treasurer
- R. J. Stuart, Vice-president, Industrial Relations
- G. B. Waterman, Vice-president
- J. B. Jolley, Secretary and Counsel
- M. C. Payne, Assistant Secretary-treasurer

Auditors

Clarkson, Gordon & Co., Toronto

Registrar and Transfer Agents

National Trust Company, Limited—
Toronto, Montreal, Winnipeg, Calgary, Vancouver

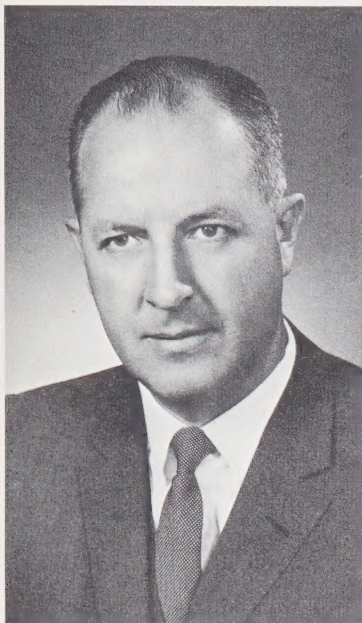
Toronto Stock Exchange Listing

Class A and B Common Shares
Series B and C First Preferred Shares

Head Office: St. Catharines, Ontario

Operating Divisions	Main Offices and Plants
Canada	
Anthes Eastern	St. Catharines, Ontario; St. Jean, Quebec
Anthes Western	Winnipeg, Manitoba; Edmonton, Alberta; Calgary, Alberta
Penberthy Injector	St. Catharines, Ontario
Anthes Steel Products	Toronto, Ontario
Sarnia Scaffolds	St. Catharines, Ontario
Sarnia Hoists	Toronto, Ontario
Love & McDougall	Toronto, Ontario
National Oxygen	Oakville, Ontario
Office Specialty	Newmarket, Ontario; Holland Landing, Ontario
Egry Business Systems	Toronto, Ontario
Copeland-Chatterson	Brampton, Ontario
Arco Automatic Retail	Toronto, Ontario
John Wood	Toronto, Ontario; Winnipeg, Manitoba

Operating Divisions	Main Offices and Plants
United States	
John Wood	East Orange, New Jersey
Bennett Pump	Muskegon and Hart, Michigan
Industrial Products	Conshohocken, Pennsylvania; Midland Park, New Jersey
Superior Metalware	St. Paul, Minnesota
Multiplex Company	St. Louis, Missouri
Overseas Marketing Subsidiaries	
John Wood International Corp.	New York, New York
John Wood Pan American Corp.	New York, New York
Affiliated Companies	
Bennett-Bergomi S.p.A.	Milano, Italy
Bennett & Sauser AG.	Solothurn, Switzerland
John Wood Universal, S.A.	Zurich, Switzerland
Industrias Guillermo Murguia, S.A.	Mexico City, Mexico



D. G. Willmot, President

We are pleased that the Company's sales and profits in 1966 were the highest on record.

We submit with this report the consolidated financial statements of the Company, together with comments on operations and the Company's financial position. All divisions of Anthes Imperial Limited are consolidated in these statements and all amounts are expressed in Canadian dollars unless otherwise designated.

Sales and Income

The record levels of activity in all sectors of the economies of Canada and the United States during 1966 presented unusual opportunities for business expansion although this prosperity resulted in "overheating" in some industries during the year. Also, demand pressures caused widespread increases in labour rates and prices which are affecting the margins and profitability of many companies.

Most of the Company's divisions showed increases in sales in 1966 over 1965—the largest increases were achieved by Sarnia Scaffolds, Office Specialty and Superior Metalware. These high levels of sales, when combined with the business done after purchase by companies acquired during the year, resulted in consolidated sales of \$91,300,000, a 16% increase over 1965 consolidated sales of \$78,900,000.

The majority of Anthes Imperial's divisions earned increased profits which, combined with the post-acquisition income of acquired companies, produced consolidated net income of \$4,520,911, compared with 1965 income of \$3,810,419, an increase of 19%.

Earnings per common share increased by 16% from \$1.77 in 1965 to \$2.05 in 1966. The latter calculation is based on the average number of common shares outstanding during the year and in each case after deducting preferred dividends.

Dividends

Dividends declared on the Company's common shares (both Class A and Class B) in 1966 consisted of four quarterly dividends of 13¢, together with a 5¢ extra dividend added to the quarterly dividend paid on January 16, 1967, for a total of 57¢. In 1965 dividends declared totalled 50¢.

Holders of Class B common shares received distributions equivalent to those received by Class A shareholders in accordance with the respective share provisions and the Company's policy. We would like to remind you that shareholders in certain tax brackets may obtain an income tax advantage by holding Class B common shares. If you wish additional information on the rights and dividend arrangements attaching to the respective classes of common shares, a description

of these is available from the Company's Secretary in St. Catharines.

Acquisitions

As noted in last year's Annual Report the assets and business of Northeast Industries, Inc., of Midland Park, New Jersey, were acquired at the end of 1965, and manufacture and distribution of this new product line was conducted during 1966 as part of the Industrial Products Division. Egly Business Systems Limited of Toronto, a producer of business forms, was acquired early in 1966, as also mentioned in last year's report. Copeland-Chatterson Limited of Brampton, Ontario, which manufactures business system paper and forms, was also purchased during the year. The operations of Egly and Copeland-Chatterson complement the manufacture and distribution of paper products by Office Specialty and their activities are referred to in the Report on Operations.

In August, 1966, the Company acquired all of the outstanding common stock of Multiplex Company of St. Louis, Missouri, in exchange for 174,700 Class A common shares of Anthes Imperial Limited. Multiplex is one of the larger manufacturers of soft drink dispensing equipment for counter use in the United States and its products are now sold together with stainless steel beverage tanks manufactured by our Superior Metalware Division at St. Paul. Multiplex's activities are also described in the Report on Operations.

The above acquisitions reflect the Company's policy of expanding its base by purchase of other businesses as well as through product development. All 1966 acquisitions manufacture complete end-use products. We are particularly optimistic about the potential represented by the markets for equipment used for soft drink dispensing and by the rapidly growing market for business forms.

Identification of the Company and its Operating Divisions

In a company which is as diversified and widely dispersed as Anthes Imperial we constantly endeavour to present the identities of the whole corporation and its individual divisions in the most understandable way. As you have seen on the cover of this Annual Report and as explained on page 1, we have adopted a new corporate symbol which we feel represents the characteristics of our Company most effectively. We are also adapting this symbol for use by all divisions of the Company so that their customers and other business people will readily recognize that these divisions are part of Anthes Imperial Limited.

In order to differentiate the operations of the original Anthes plants and the Com-

pany's other manufacturing activities in Canada, two new subsidiaries, Anthes Eastern Limited and Anthes Western Limited, were incorporated early in 1966 and commercial business is now conducted under these names. The name Anthes Imperial Limited now refers to the parent company only.

The name of Sarnia Scaffolds Limited will be changed shortly to Anthes Equipment Company Limited and Egry Business Systems Limited to Anthes Business Forms Limited in order to clarify the identities and operations of these divisions.

Management Development

During 1966 increased emphasis was given to our Manpower Resources program. A special department at Head Office carries out this function and deals with all divisions of the Company. The setting of specific objectives which are accepted by all managers has resulted in a clearer definition of responsibilities and performance goals. This continued development of the skills of present management combined with a carefully planned university recruitment program will assure a continued strong management performance for your Company.

Industrial Relations and Personnel

Until 1966 the Company had enjoyed a relatively uninterrupted history of good relations with its plant employees in all locations. However, the rather widespread unrest in labour ranks last year affected your Company and we had work stoppages at four plants ranging from a period of several days to a number of weeks. Differences were resolved but the earnings of the Company were adversely affected in some measure. Throughout the year fifteen labour agreements were negotiated and signed at various plants in Canada and the United States. There are only two contracts to be negotiated during 1967.

We wish to acknowledge the contribution made by all of our 4,200 employees to the successful year which the Company enjoyed in 1966. We are grateful to them for their efforts.

Head Office Location

The Head Office of the Company has been located in St. Catharines, Ontario, since 1949. The changing pattern of transportation and communication which has resulted from the growth of the Company in recent years

has led to a decision to move to a more central location. During 1967 new facilities will be constructed in Metropolitan Toronto, close to the International Airport at Malton, and Head Office personnel will move there later this year.

Anthes at Expo 67

The Company is joining with twenty-three other Canadian firms in the presentation of the Pavilion of Economic Progress at Expo 67 in Montreal. The Pavilion will dramatize Canadian competitive enterprise for an expected one million visitors. This theme will be developed colourfully and will depict the part which each of the supporting companies plays in the Canadian economy.

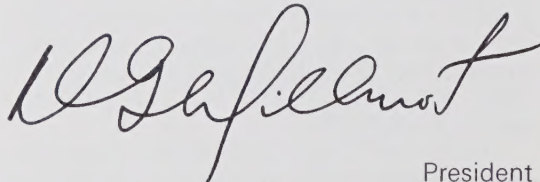
Prospects for 1967

The majority of predictions for 1967 point to further increases in all levels of economic activity but with growth at a somewhat slower rate than in 1966. The net effect of higher taxes imposed or pending, balance of international payments problems, and the current easing of credit are difficult to forecast. However, we expect that most divisions of the Company will operate at moderately higher volume levels in 1967.

We are concerned about the effect which increasing costs of labour and material and higher expenses will have on profitability. In an effort to offset the effect of these unfavourable trends on our profits in 1967, management at all of our divisions and at Head Office is reinforcing its efforts in respect to cost and expense reduction. The dollar goals of this program are substantial, profit improvement targets have been accepted and all managers are taking action.

Maintaining profit levels in 1967 will be more difficult than in the last several years. However, we are hopeful that our income this year will be in keeping with the growth record of the Company.

On behalf of the Board of Directors,



President

St. Catharines, Ontario, February 16, 1967

Markets We Serve

Construction

Canada—Spending on construction in Canada in 1966 was 10% higher than in 1965. Categories of engineering construction which directly affect products of our divisions were noticeably higher in 1966 and building construction increased very greatly—institutional building in particular. Residential construction spending was little better than even and starts on all dwellings were at 134,000 compared with 167,000 in 1965.

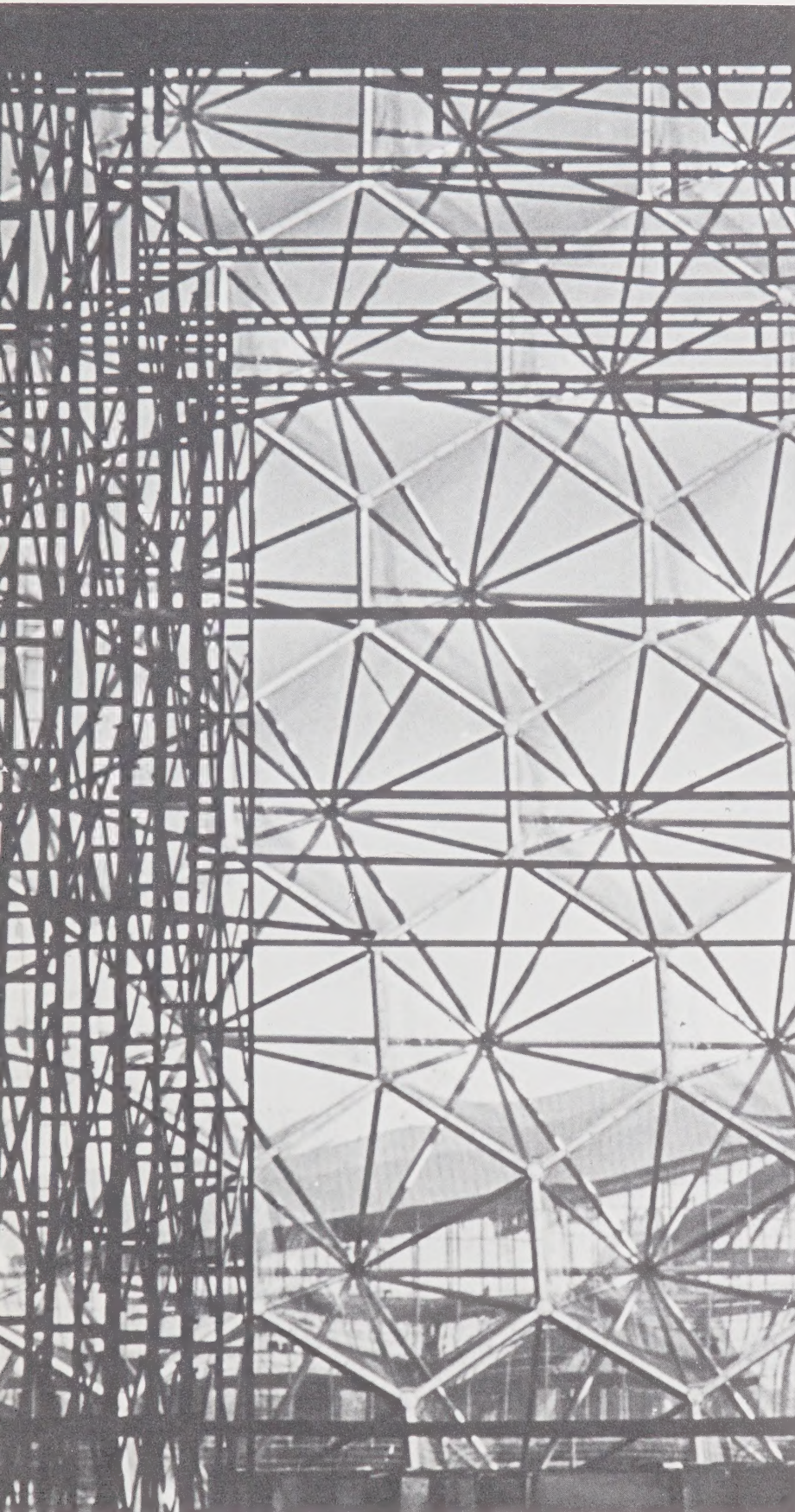
The proportion of the Company's total sales represented by products which are related to the construction industry was 45% in 1966. Because the Company has diversified its "construction-related" products and services it is only moderately susceptible to changes in activity in particular sectors of construction.

Sales of soil pipe by Anthes Eastern and Anthes Western Divisions showed an increasing demand for 10-foot pipe and a continued expansion of the use of the Anthes new labour-saving mechanical joint pipe. The introduction of new mechanized foundry equipment at the St. Jean foundry and the very difficult labour supply situation in the Montreal area resulted in operating problems. However, these are being solved and unit costs are showing steady improvement. There was no expansion in the western pressure pipe market in 1966. However, the Calgary plant of Anthes Western Division produced and sold ductile iron pipe in much greater volume than in 1965 and extended the sizes of pressure pipe manufactured to include 14-inch and 16-inch diameters.

There was a very satisfactory increase in unit sales of the Company's warm air furnaces in both Eastern and Western Canada. This represents an improvement in market penetration in a year when single-family dwelling starts were at unusually low levels. Penberthy product sales increased modestly and the increase was concentrated in engineered types of products.

The high level of spending in the engineering and institutional building sectors of the construction market, together with improving penetration and expanding lines of equipment, resulted in much higher revenues in the Sarnia Scaffolds Division. The heavy engineering construction market increased its utilization of Sarnia's shoring and forming equipment used in the construction of

Sarnia scaffolding provides access for workmen within geodesic dome of the United States pavilion at Expo 67.



bridges, overpasses and large buildings. Among the new products introduced by Sarnia Scaffolds in 1966 was a line of high capacity, oil-fired, vented portable heaters which are expected to be used extensively on construction projects and in warehouses and storage areas.

In spite of a significant drop in the volume of apartment construction in Canada (particularly in the Toronto Metropolitan area) sales of Anthes Steel Products' open web joists were higher in 1966 than in the previous year due to activity in commercial, industrial and institutional buildings. Operations at the Division's two plants in Toronto were on two and three shifts for most of the year. Anthes Steel Products opened a sales office in Edmonton, Alberta, in order to extend market coverage in Alberta and British Columbia.

There was a modest increase in sales of domestic hot water heaters of John Wood, Toronto Division in 1966 despite a lower level of single-family dwelling construction. Volume of other heater and tank products was lower than 1965. Prices for electric water heaters were somewhat lower during most of 1966 than in 1965; however, prices have improved within the last two months. The Division's water heater product line is being expanded through the introduction of additional models.

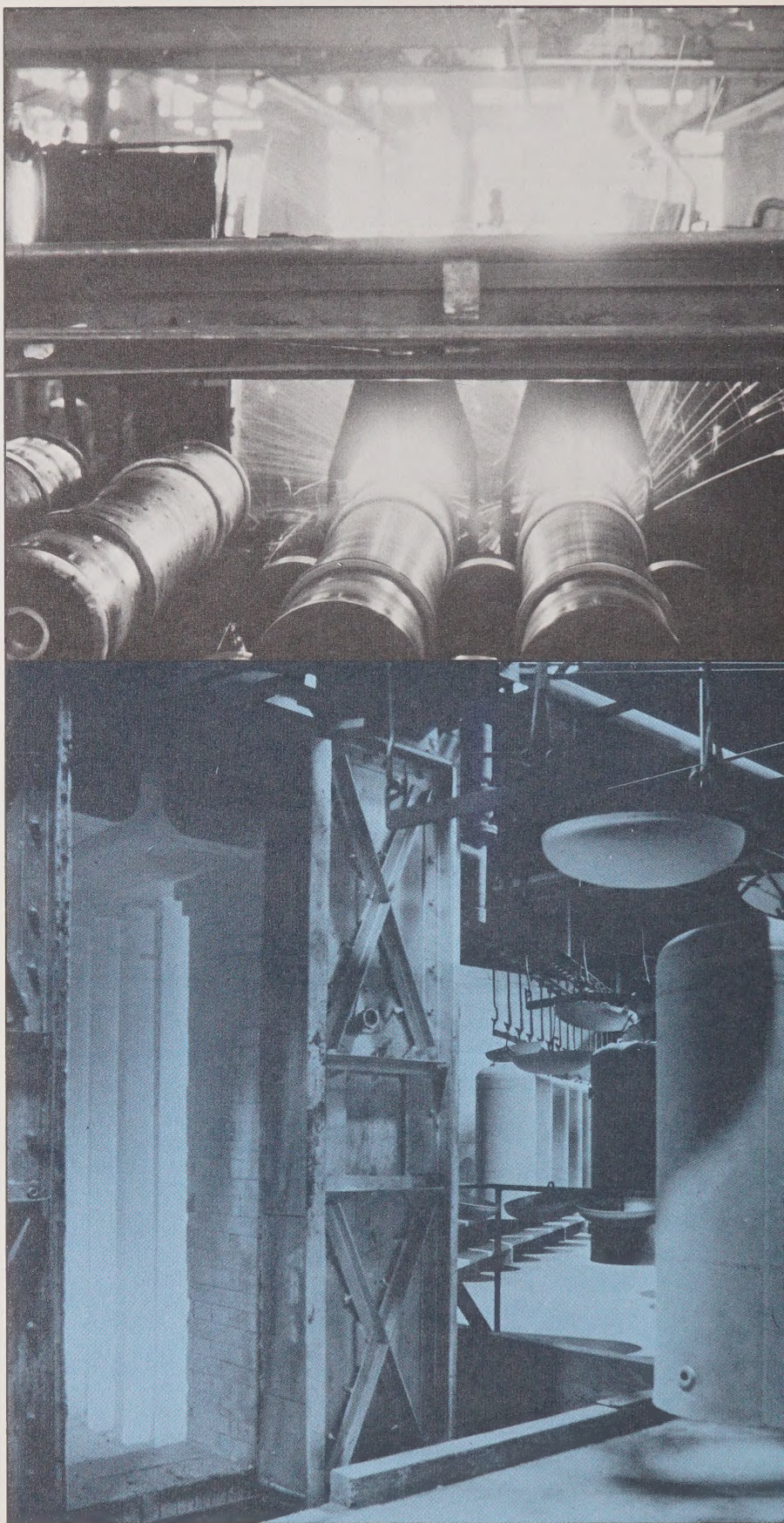
United States—Housing starts in the United States showed a drastic reduction in 1966. Despite this unfavourable trend the volume of Industrial Products Division—a large proportion of which goes to new and replacement use in single-family dwellings and apartments—increased moderately over 1965. The Division's volume was assisted by the higher levels of construction in commercial and industrial categories.

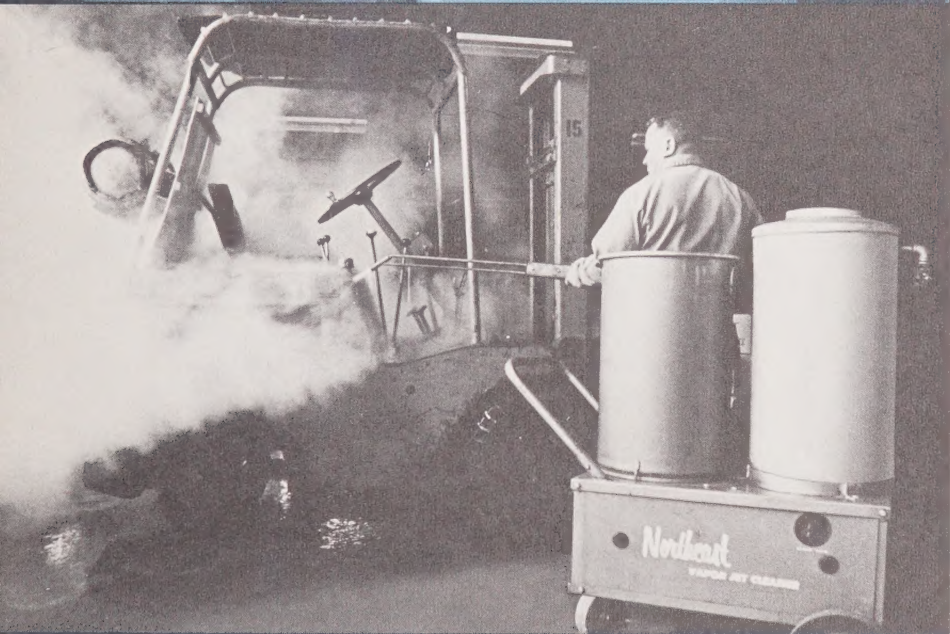
Industrial

Canada—National Oxygen's plant at Oakville, Ontario again operated at capacity and the Division's total sales increased moderately. Profit and return on investment in this Division were satisfactory.

Tanks for use in industrial applications are important to the Toronto operation of John Wood. Also, such products for use in industry and agriculture represent the entire manufacturing business of John Wood's Winnipeg plant. Demand for the steel tank line was mixed but activity was generally at a good level. Profit margins on drums and steel shipping containers have been unsatisfactory and the manufacture of these products at both Toronto and Winnipeg plants was discontinued in 1966.

United States—Industrial Products Division expanded its line of products for industrial customers in 1966, especially in A.S.M.E.





Above left: New Sling Spin line centrifugally casts 2" to 8" diameter soil pipe in 5' lengths at Winnipeg plant of Anthes Western. **Left:** At John Wood's Toronto plant, inner steel tanks for hot water heaters enter furnace for completion of the glass lining process. **Above top:** New money-operated Bennett pump introduces self-service to gasoline marketing. **Above:** Steam cleaner by Northeast Industries sprays mixture of steam and cleaning compound to remove grease and dirt from towmotor.

air receivers and water treatment tanks. The addition of product lines of Northeast Industries has broadened the Industrial Products Division's range of complete end-use products for industrial customers. The volume of Northeast products, mainly steam cleaners and pressure washers, expanded during the first year of control of Northeast. Further development of Northeast products is active and distribution arrangements for these products are being expanded.

Petroleum Marketing

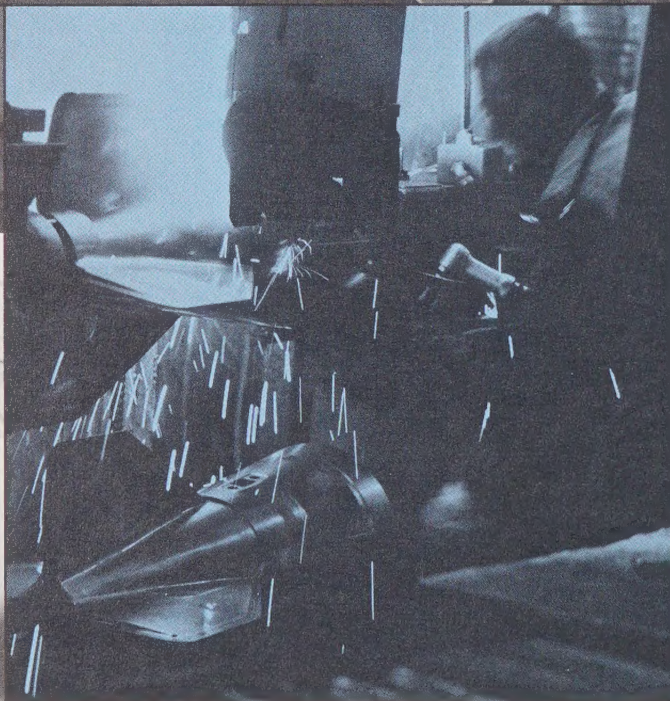
United States—The Bennett Pump Division of John Wood Company with plants at Muskegon and Hart, Michigan is one of the larger manufacturers of gasoline pumps and related automotive service station equipment in the United States. The Division's sales improved slightly over 1965 and income compared closely to that of last year. Increases in material and labour costs and overhead were offset in part by somewhat better prices and manufacturing efficiencies, many of which resulted from engineering improvements in product design. The recovery from reduced price levels which occurred in 1966 is continuing and a more satisfactory level of prices is expected to prevail in 1967. Development of new and improved products is scheduled for 1967, including money-operated self-service gasoline pumps which have been field tested satisfactorily.

Canada—The market for petroleum marketing products of John Wood's Toronto Division was particularly competitive in 1966 and pump prices were lower than in previous years. However, with the exception of remanufactured pumps, unit volumes in all categories were higher.

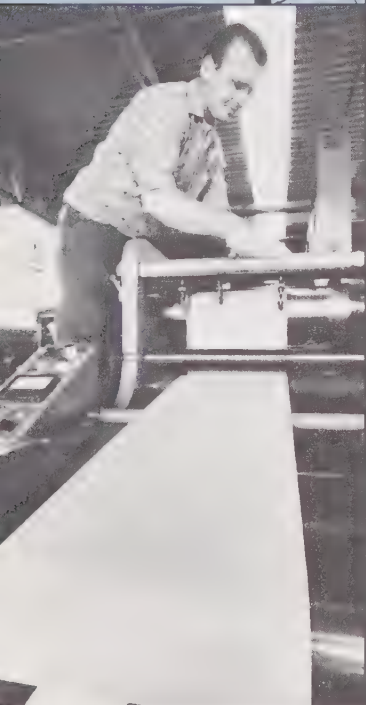
Commercial and Institutional

Sales levels in 1966 were the highest in the history of the Office Specialty Division. The increase reflects a buoyant level of capital spending by business and institutions in Canada and also the greater penetration which the Division has achieved in the office furniture and filing equipment fields. Office interior design is one of the fastest growing segments of the office furniture market and Office Specialty's design services are expanding quickly.

During 1966 Copeland-Chatterson Limited and Egly Business Systems Limited were acquired to expand Office Specialty's established position in the business paper market. A reorganization of facilities and regrouping of products has resulted in Copeland-Chatterson concentrating on business system paper and equipment and Egly producing and marketing continuous and other business forms. The prospects for these new directions of Office Specialty are attractive.



Above left: Interior design and furniture by Office Specialty make this investment dealer's office highly functional and attractive. **Above:** Anthes Allspans support roof of new 90,000 square foot addition to Office Specialty's manufacturing facilities at Holland Landing. **Far left:** A Multiplex Quad-rator cooler and dispenser provides four automatic faucets for convenience, compactness, and service efficiency. **Left:** Sections of bomb fin assembly are automatically welded in one operation at John Wood, St. Paul. **Right:** Continuous forms roll off high speed offset press at Egry Business Systems, Toronto.



The substantial increase in volume achieved by Office Specialty in the last few years has resulted in a need for additional space for the fabrication of metal furniture. In order to better serve this expanding furniture market an addition to the Holland Landing plant of 90,000 square feet is under construction and will be in operation this April.

Dairy and Soft Drink

The volume of the Superior Metalware Division was affected unfavourably during 1966 by continuing changes in fresh milk containers and handling methods and the effect of tight money on the dairy farm industry. Some increase in the volume of other food handling equipment helped to offset this. The Division's engineering activity is being concentrated on the development of products which complement those of Multiplex Company.

The volume of Multiplex Company of St. Louis, Missouri, which was acquired in August, 1966, was disappointing in relation to that of 1965 when the soft drink industry carried out an extensive program to expand the use of counter-type soft drink dispensers. A new line of refrigerated, pressurized counter dispensers has now been developed and is being distributed. In addition, Multiplex has acquired equipment to manufacture a line of visual display dispensers for non-carbonated beverages. Stainless steel beverage tanks manufactured by Superior Metalware represent a part of soft drink dispensing systems and these are now used and distributed by the Multiplex marketing organization.

Consumer

In the growing Canadian automatic vending market, Arco Automatic Retail increased its sales in each of the five cities where it operates. Volumes increased in industrial and commercial locations and there was a very sharp increase in new feeding business in hospitals and universities. Arco Automatic is now one of the larger companies providing in-plant feeding services in Canada and its earnings in 1966 improved significantly over the prior year.

Defence

During 1966 Superior Metalware Division was involved in the accelerated United States Government program for production of defence material. The Division responded quickly to these requirements, production was commenced in record time, and the Division had delivered over \$5,000,000 of defence material by year end. Defence production will continue for at least the first half of 1967 under present contracts. The profits of the Division increased substantially in 1966.

Export and Foreign Affiliates

The volume of the wholly-owned foreign marketing companies—John Wood International, John Wood Pan American, and John Wood Universal, which distribute Bennett Pump products in many areas outside the United States was comparable to 1965.

Sales and profits of the Company's foreign affiliates in Switzerland, Italy and Mexico which produce and market Bennett gasoline pumps (and also mixing systems in the case of Bennett-Bergomi of Milan, Italy) were considerably higher in 1966 than in 1965. The interest of Anthes Imperial in the 1966 earnings of these foreign companies (and which is not included in consolidated net income) is approximately \$140,000, before the deduction of withholding taxes which would apply to dividends.

Corporate Planning

Continuing corporate growth requires the establishment of clear objectives to guide management. The short and long term objectives of Anthes Imperial Limited are developed through regular study and review in the light of present business environment of product lines and markets which the Company considers represent potential for the future.

The Company's plans for the future include expansion into fields which have the prospect of a good rate of growth and profitability, which have a higher level of technological skills, produce end products, have proprietary characteristics, and are reasonably compatible with the present skills of the organization. This expansion will emphasize increased activity in the United States, greater participation in non-durable products and the service industries, together with continued broadening of activity outside the construction markets.



A Bennett gasoline pump for export nears completion on John Wood assembly line in Muskegon.

The 1966 consolidated sales of the Company were \$91,300,000 compared to \$78,900,000 last year. Sales in Canada improved 11% while sales of the United States divisions were 28% above 1965. In 1966 total sales of Canadian divisions represented 64% of consolidated sales while United States divisions' sales were 36%.

Income for the year as a per cent of sales improved slightly in 1966 to 4.95% from 4.83% in 1965. Total earnings were higher in both Canada and the United States with aggregate earnings of U.S. divisions improving substantially over 1965.

The Consolidated Statement of Source and Application of Funds indicates an improvement in cash flow (exclusive of non-recurring items) from \$5,995,075 in 1965 to \$7,008,875 in 1966. This represented an increase from \$2.90 per common share to \$3.29 per common share.

At the end of 1966, cash and short term investments were \$2,831,103 with a current bank loan of \$1,900,000 outstanding. The Company's working capital increased during 1966 by \$2,294,576 to \$20,989,258; the working capital ratio was 2.4 to 1 which is down slightly from 2.8 to 1 reported last year.

Capital spending during 1966 totalled \$2,737,928 (net). The principal projects in the year included: further substantial additions to the rental equipment of Sarnia Scaffolds Division; air pollution control equipment in the Anthes Eastern Division, St. Catharines foundry; additions to and modernization of the engineering building of the Bennett Pump Division, Muskegon; commencement of a 90,000 square foot addition to Office Specialty Division's manufacturing facilities at Holland Landing, Ontario; additions to the automatic vending equipment of the Arco Automatic Retail Division.

Depreciation provided in 1966 was \$2,348,708, an increase of \$314,826 over 1965. As a result of the difference between depreciation to be claimed for tax purposes and amounts provided in the accounts of the Company, there was an increase in "Deferred Income Taxes" of \$126,345.

"Investment in and Advances to Affiliated Companies at Cost" pertains to the interest of Anthes Imperial in other corporations, where such interest does not exceed 50%. This item continues to be represented principally by the interest of the Company in affiliated companies in Italy, Switzerland and Mexico.

Consolidated Statement of Income and Retained Earnings	Year ended December 31	
	1966	1965
Sales	\$91,300,000	\$78,900,000
Income before deducting depreciation, interest on long term debt, and income taxes (including investment income of \$106,151 in 1966 and \$45,626 in 1965)	\$12,195,444	\$10,653,740
Deduct:		
Depreciation (note 2)	2,348,708	2,033,882
Interest on long term debt (including amortization of debenture discount)	625,825	637,939
	2,974,533	2,671,821
Income before income taxes	9,220,911	7,981,919
Income taxes	4,700,000	4,171,500
Income for year	4,520,911	3,810,419
Retained earnings, beginning of year	9,440,255	6,987,868
	13,961,166	10,798,287
Deduct:		
Dividends declared—		
Preferred Shares	382,452	392,520
Common Shares (including stock dividends on Class B shares and special tax thereon)	1,169,440	965,512
	1,551,892	1,358,032
Excess of purchase price of subsidiary companies acquired during the year over fair value of underlying net tangible assets	2,539,881	—
	4,091,773	1,358,032
Retained earnings, end of year	\$ 9,869,393	\$ 9,440,255

See accompanying notes on page 15.

Consolidated
Balance Sheet
December 31
1966

Assets	1966	1965
Current Assets:		
Cash and short term investments	\$ 2,831,103	\$ 2,022,100
Accounts receivable	13,835,953	11,899,888
Inventories valued at the lower of cost or market—		
Raw materials and supplies	7,038,908	5,628,597
Work in process and finished goods	11,955,938	9,598,723
Prepaid expenses	309,079	217,955
Total current assets	<u>35,970,981</u>	<u>29,367,263</u>
 Investment in and Advances to Affiliated Companies at Cost .	 <u>1,032,882</u>	 <u>1,183,378</u>
 Fixed Assets at Cost:		
Land	1,622,228	1,433,079
Buildings	11,295,775	9,639,966
Machinery and equipment	29,482,008	25,554,033
	<u>42,400,011</u>	<u>36,627,078</u>
 Less accumulated depreciation	 <u>24,699,327</u>	 <u>21,231,577</u>
	<u>17,700,684</u>	<u>15,395,501</u>
 Other Assets:		
Mortgages	293,755	235,659
Special refundable tax	136,218	—
Debenture discount and issue expenses less amortization . . .	132,712	145,623
	<u>562,685</u>	<u>381,282</u>
	<u>\$55,267,232</u>	<u>\$46,327,424</u>

On behalf of the Board:
D. G. Willmot, Director
E. H. Orser, Director

Liabilities	1966	1965
Current Liabilities :		
Bank loans (secured)	\$ 1,900,000	\$ —
Accounts payable and accrued charges	7,506,780	6,883,838
Taxes payable	4,799,730	3,090,141
Instalments on long term debt due within one year	409,400	386,400
Dividends payable	365,813	317,222
Total current liabilities	<u>14,981,723</u>	<u>10,672,581</u>
 Deferred Income Taxes	 <u>1,298,163</u>	 <u>1,154,375</u>
 Long Term Debt (note 3)	 <u>10,186,899</u>	 <u>10,671,299</u>
 Shareholders' Equity :		
Capital		
Authorized (note 4)		
Issued and outstanding (notes 5 and 6) :		
8,100 5½% First Preferred Shares, Series A	810,000	870,000
19,720 5½% First Preferred Shares, Series B	1,972,000	2,107,000
42,269 5¼% First Preferred Shares, Series C	4,226,900	4,357,600
1,467,403 Class A } Common Shares	11,922,154	7,054,314
664,581 Class B }		
Retained earnings (note 7)	<u>9,869,393</u>	<u>9,440,255</u>
Total shareholders' equity	<u>28,800,447</u>	<u>23,829,169</u>
	<u>\$55,267,232</u>	<u>\$46,327,424</u>

See accompanying notes on page 15.

Consolidated Statement of Source and Application of Funds Year ended December 31

	1966	1965
Source of Funds:		
Income for year	\$ 4,520,911	\$ 3,810,419
Non-cash charges deducted in arriving at income for year:		
Depreciation	2,348,708	2,033,882
Deferred income taxes	126,345	137,359
Amortization of debenture expenses	12,911	13,415
Funds derived from operations	7,008,875	5,995,075
Proceeds from sale of U.S. properties	—	1,145,279
Proceeds from sale of investments in affiliated companies	—	200,516
Reduction of investment in and advances to affiliated companies	150,496	—
Proceeds from issue of common shares for cash	150,940	199,068
Mortgage payments received	34,436	111,236
	<u>7,344,747</u>	<u>7,651,174</u>
Application of Funds:		
Cash paid on acquisition of subsidiaries	1,389,652	—
Additions to fixed assets (net)	2,737,928	2,987,512
Dividends	1,551,892	1,358,032
Decrease in long term debt—non current portion	484,400	486,275
Investment in and advances to affiliated companies	—	579,709
Redemption of preferred shares	325,700	—
Special refundable tax	136,218	—
	<u>6,625,790</u>	<u>5,411,528</u>
Increase	718,957	2,239,646
Working capital, beginning of year	18,694,682	16,455,036
Working capital of subsidiaries at dates of acquisition	1,575,619	—
Working capital, end of year	<u>\$20,989,258</u>	<u>\$18,694,682</u>

Auditors' Report To The Shareholders of Anthes Imperial Limited:

We have examined the consolidated balance sheet of Anthes Imperial Limited and its subsidiary companies as at December 31st, 1966 and the consolidated statement of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and retained earnings present fairly the financial position of the companies as at December 31st, 1966 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying consolidated statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned consolidated financial statements, presents fairly the sources and applications of funds of the companies for the year ended December 31st, 1966.



Chartered Accountants

Toronto, Canada, February 6, 1967.

1. Foreign exchange

The Company's U.S. dollar current assets and current liabilities have been translated into Canadian dollars at Can. \$1 = U.S. 92.6¢. All other U.S. dollar assets and liabilities have been translated at the rate of exchange prevailing at the effective date such assets were acquired or liabilities incurred.

2. Depreciation

Depreciation has been provided on the fixed assets of the companies on a straight line basis at rates estimated to provide fully for the cost of the fixed assets over their useful lives, as follows:

Buildings	2½% and 5%
Machinery and equipment	10%
Construction rental equipment and vending equipment	12½% to 20%
Patterns, tools and dies	50%

3. Long term debt**Anthes Imperial Limited:**

6% Sinking Fund Debentures maturing \$190,000 annually, with balance due in 1982 \$ 4,665,000

Term bank loan maturing in 1968—secured (U.S. \$2,300,000) 2,485,699

Office Specialty Limited:

4½% Serial Debentures, maturing \$100,000 annually 1967 to 1970 inclusive 400,000

John Wood Company:

5½% note maturing U.S. \$180,000 annually, with balance due in 1977 (U.S. \$2,820,000) \$ 3,045,600

10,596,299

Less instalments due within one year 409,400

\$10,186,899

4. Authorized capital

Preferred Shares (authorized less redeemed)—

\$7,401,300 Cumulative Redeemable First Preferred Shares (74,013 shares of \$100 each)

\$1,075,625 4% Non-cumulative Redeemable Second Preferred Shares (107,562,543 shares of 1¢ each) Common Shares—

5,000,000, Class A Common Shares without par value

5,000,000, Class B Common Shares without par value

5. Preferred shares

The Cumulative Redeemable First Preferred Shares are redeemable, 5½% Series A at \$103 per share. The 5½% Series B are redeemable at \$104 per share to December 31, 1968 and the 5¼% Series C at \$105.25 to December 31, 1969, and thereafter at reducing amounts.

Under the conditions attaching to the First Preferred Shares the Company is obliged under certain conditions to set aside on January 2 in each year in special accounts on the books of the Company as

purchase funds exclusively for the Series A, Series B and Series C Preferred Shares respectively, amounts equal to 3% of the aggregate par value of all such shares originally issued. The amounts so set aside as at January 2, 1967 will total \$228,200.

During the year the following First Preferred Shares were purchased for cash and cancelled: Series A 600; Series B 1350; Series C 1307.

\$309,766 par value of Second Preferred Shares (30,976,632 shares) were issued in 1966 as stock dividends on the Class B Common Shares and were subsequently redeemed for cash.

In accordance with Section 61 of the Canada Corporations Act \$1,376,605 of the retained earnings shown has been designated in the books of the Company as capital surplus resulting from redemption of preferred shares.

6. Common shares

During the year—

174,700 Class A Common Shares were issued at \$27 per share for a total of \$4,716,900 in exchange for all of the outstanding shares of Multiplex Company.

24,800 Class A Common Shares were issued for a consideration totalling \$150,940 under the employee stock option plan.

38,951 Class A Common Shares were converted to Class B Common Shares and

26,596 Class B Common Shares were converted to Class A Common Shares, on a share for share basis.

At December 31, 1966, options to employees were outstanding in respect of Class A Common Shares for 18,710 shares at \$5 per share, 4,282 shares at \$7 per share, 23,700 shares at \$20 per share, 1,500 shares at \$21.00 per share and 10,800 shares at \$22.25 per share. 17,280 Class A Common Shares are reserved for further options to employees.

7. Dividend restrictions

Under the conditions attaching to the First Preferred Shares, Series A, B and C, and the 6% Sinking Fund Debentures, the Company in certain circumstances is prohibited from paying dividends, other than stock dividends. Under the most restrictive of these conditions, Common Share dividends may not reduce consolidated retained earnings to less than \$1,750,000.

8. Employees' pensions

Past service costs of employees' pension plans are being funded over periods not exceeding 30 years. The unfunded liability for such past service costs totalled approximately \$2,800,000 at December 31st, 1966.

9. Directors' remuneration

During the year remuneration paid to directors of the Company, including directors employed by the Company, totalled \$276,071.

Ten Year Comparison
Operating Results
1966
1965

Sales	\$91,300,000	\$78,900,000
Operating income	12,195,444	10,653,740
Depreciation	2,348,708	2,033,882
Interest on long term debt (including discount amortization)	625,825	637,939
Income taxes	4,700,000	4,171,500
Income for year	4,520,911	3,810,419
Cash flow—funds derived from operations	7,008,875	5,995,075

Shareholders' Participation

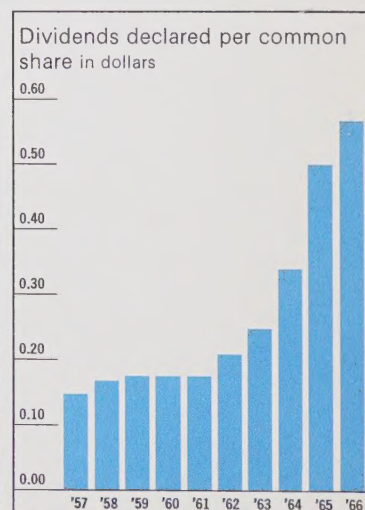
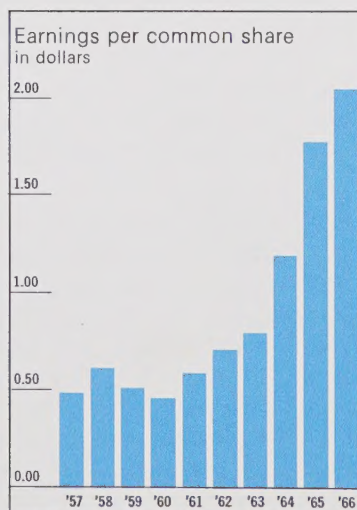
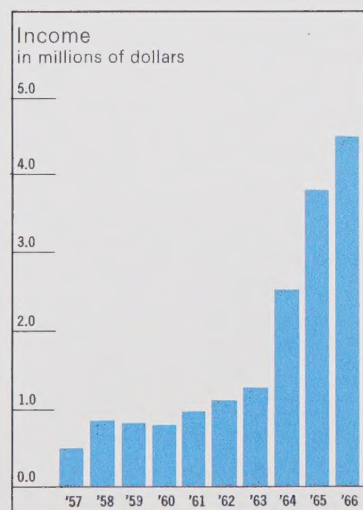
Dividends declared—preferred	\$ 382,452	\$ 392,520
Dividends declared—common	1,169,440	965,512
Dividends declared—per common share*57	.50
Earnings per common share*	2.05**	1.77
Cash flow per common share*	3.29**	2.90
Retained earnings	2,969,019	2,452,387
Common share equity	21,791,547	16,494,569
Equity per common share*	10.22	8.54
Number of common shares outstanding*	2,131,984	1,932,484

Balance Sheet Items

Working capital	\$20,989,258	\$18,694,682
Fixed assets (net)	17,700,684	15,395,501
Additions to fixed assets (net)	2,737,928	2,987,512
Total assets	55,267,232	46,327,424

*Adjusted to reflect the four for one subdivision of common shares in 1962 and the two for one subdivision of common shares in 1965.

**Based on average number of shares outstanding during year.



1964	1963	1962	1961	1960	1959	1958	1957
\$78,200,000	\$29,700,000	\$27,100,000	\$20,500,000	\$17,300,000	\$18,400,000	\$14,000,000	\$10,900,000
8,207,547	4,070,337	3,604,726	2,772,921	2,219,321	2,533,432	2,504,461	1,264,651
2,233,012	1,101,155	862,232	754,065	759,645	702,061	764,900	241,819
742,565	367,942	342,248	128,877	100,943	107,713	113,218	88,025
2,679,000	1,312,000	1,255,000	915,600	557,700	907,648	805,000	433,452
2,552,970	1,289,240	1,145,246	974,379	801,033	816,010	821,343	501,355
5,019,926	2,507,837	2,117,270	1,914,844	1,548,878	1,605,554	1,545,143	911,476
\$ 314,349	\$ 163,738	\$ 164,054	\$ 166,239	\$ 171,305	\$ 153,676	\$ 41,975	\$ 51,122
642,163	356,491	293,196	249,596	243,315	228,678	185,919	138,000
.34	.25	.21	.18	.18	.18	.17	.15
1.18	.79	.71	.58	.47	.51	.61	.49
2.48	1.64	1.40	1.26	1.02	1.11	1.18	.94
1,596,458	769,011	687,996	558,544	386,413	433,656	593,449	312,233
13,843,114	8,010,801	7,145,860	6,431,968	5,793,726	5,445,309	4,910,723	3,355,399
7.31	5.62	5.12	4.64	4.28	4.16	3.87	3.65
1,893,882	1,425,968	1,396,168	1,386,648	1,351,768	1,308,992	1,271,000	920,000
\$16,455,036	\$ 8,469,724	\$ 9,169,573	\$ 5,826,431	\$ 5,160,066	\$ 4,248,977	\$ 5,052,777	\$ 2,667,563
15,587,150	7,802,154	6,684,542	6,147,759	5,633,898	5,509,788	5,022,478	3,881,453
2,228,633	1,219,131	1,193,659	735,884	2,641†	1,188,171	567,716	1,847,125
44,011,961	21,812,968	19,800,250	16,280,857	12,945,385	14,191,483	12,500,796	8,710,412

†Arising from fixed assets additions \$889,614, less proceeds from disposal of fixed assets—\$886,973.

